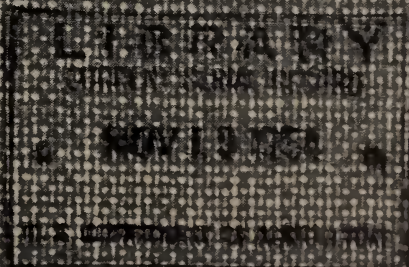


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The Story **OF FARMERS' COOPERATIVES**



The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, quality, costs, financing, efficiency, and membership.

The Service publishes the results of the studies; confers and advises with officials of farmers' cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

JOSEPH G. KNAPP, *Administrator,*
Farmer Cooperative Service.

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FCS Educational Circular 1

Revised June 1954
(Formerly FCA Circular E-23)

FOREWORD

The Congress recognized the importance of agricultural cooperatives in our Nation's economy when it passed the Cooperative Marketing Act of 1926. This Act directed the United States Department of Agriculture to help farmers maintain sound cooperatives. It prescribed the duties of what is now the Farmer Cooperative Service of the United States Department of Agriculture.

Farmers in the United States had begun as early as the first part of the nineteenth century to work together in cooperatives. Many farmers had demonstrated the benefits to be derived from such cooperatives by building strong organizations which served them well. Others, however, had tried and failed.

In the years since the passage of the Cooperative Marketing Act, farmers have built a nationwide network of successful cooperatives and through them have played an important role in building a stronger agriculture. In this Act, the Congress sets forth the job now entrusted to Farmer Cooperative Service in specific terms, as indicated in the following excerpts:

"Sec. 2. The Secretary of Agriculture is hereby authorized and directed to establish a division of cooperative marketing . . .

"Sec. 3. (a) The division shall render service to associations of producers of agricultural products, and federations and subsidiaries thereof, engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

"(b) The division is authorized—

"(1) To acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries.

"(2) To conduct studies of the economic, legal, financial, social and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization, operation, financial, and merchandising problems of cooperative associations.

"(3) To make surveys and analyses, if deemed advisable, of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof, and with the consent of the association so surveyed to

publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations in developing methods of business and market analysis.

“(4) To confer and advise with committees or groups of producers, if deemed advisable, that may be desirous of forming a cooperative association and to make an economic survey and analysis of the facts surrounding the production and marketing of the agricultural product or products which the association, if formed, would handle or market . . .

“(6) To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

“(7) To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation.”

The Story of Farmers' Cooperatives

by R. H. ELSWORTH*

IN America cooperation is preeminently a farmer activity. The record shows that our farmers have recognized the possibilities and the limitations of cooperative selling and buying and that they have developed techniques for both marketing and purchasing that yield direct benefits to those who participate. This development has been a long drawn-out process, with its share of failures. Nevertheless, enough enterprises have survived two or more generations to serve as guideposts for the farmers of the oncoming generations.

"All human society is a vast system of cooperation," said Calvin Coolidge in addressing several score of farmer cooperators at the White House in 1925. "It (cooperation) began with the discovery that two people could together roll a heavier stone or move a bigger log than could be done by one alone. . . ." This broad definition of cooperation includes the hundreds of associations which did the pioneering necessary for the widespread, complex, resourceful, and constructive cooperative business of today.

Most of the early ventures were farmer-owned and democratically controlled. Each member, as a rule, had a single vote. They were mutual benefit enterprises operating without the advantage of special legislation. They increased in number, usefulness, strength, and economic significance as experience accumulated.

Agricultural cooperation had its beginnings in detached groups scattered through the Northeastern States, the Cotton Belt, the Upper Mississippi Valley, and the Far West. As the fragments of information pertaining to the many different efforts are pieced together, the influence of this continuous effort on the agriculture of the past 100 years is revealed.

Co-ops had humble beginnings

The Handbook of Connecticut Agriculture, issued in 1901, states that "associated or cooperative dairying" was attempted at Goshen, Conn., about 1810. From another source it is learned that a cheese dairy was established at South Trenton, N. Y., at about the same time. One author says, "Simultaneously, and without the least connection whatever with European experience, associated dairying in very

*This circular was originally prepared by Mr. Elsworth. It has now been revised somewhat and brought up to date by Kelsey B. Gardner, Director, Management Services Division, and Anne L. Gessner, Chief, History and Statistics Branch, Management Services Division, Farmer Cooperative Service.

primitive form cropped out in different portions of the United States between 1841 and 1851."

One of the outstanding early enterprises was the Jesse Williams cheese factory in Oneida County, N. Y., which was established in 1851. Descriptions of the factory equipment and the methods of making cheese were published in the papers of the time.

Although some of the cheese factories may have made butter, the first factory erected especially for butter making was built at Campbell Hall, Orange County, N. Y., in 1856. Soon there were many cooperative cheese factories and creameries. The Cayadutta cheese factory, established at Fonda, N. Y., in 1863, was reporting to the Cooperative Division of the Department of Agriculture as late as 1926.

Grain and livestock farmers were but little behind the dairymen in organizing cooperatively. In 1857 the Dane County Farmers' Protective Union was formed and a grain elevator erected at Madison. There was a big wheat crop that year, and the farmers filled the elevator to the roof. But the wrong man had been selected as manager. He sold the grain and departed with the proceeds. Subsequently, the elevator was destroyed by fire, and the association collapsed.

Old records indicate that the farmers in Bureau County, Ill., developed a cooperative hog auction about 1860.

A farmers' purchasing association organized at Riverhead, Long Island, N. Y., on Christmas night, 1863, is still meeting in the building in which it was formed. The purpose of the association was to buy fertilizer at wholesale in New York and ship it to

Riverhead. A sea captain was selected as buying agent. As he had to have gold in order to purchase the fertilizer, the association early learned to avoid the pitfalls of extending credit.

During the 1860's cheese factories and creamery co-ops were formed at various places in New York, and in some of the States to the west of the Allegheny Mountains. A convention of dairymen was held in 1864 at Utica, N. Y., with representatives present from 69 factories. The organization formed at the convention 2 years later became the American Dairymen's Association. By 1867 more than 400 co-ops were processing dairy products.

The first known association for the cooperative marketing of fruit was formed at Hammonton, N. J., in 1867. The enterprise was expanded in 1884 to include cooperative purchasing and under the name of Fruit Growers' Union and Cooperative Society continued until 1897.

Iowa farmers feeling the need of grain marketing facilities established an elevator at Blainstown in 1867 (or 1868). Although the enterprise lasted for only about 2 years, a new company was formed in 1873. The Farmers' Union Elevator, Brooklyn, Iowa, was granted a charter in July of 1869, one of the first incorporated elevators.

It was in 1865 that what is believed to be the first law recognizing the cooperative method for buying and selling was passed. Michigan put on its statute books "an act to authorize the formation of mechanics' and laboring men's cooperative associations." Some years earlier the New York Legislature had provided for cooperatively organized mutual insurance companies.

Grange Opened New Period In Cooperation

What may be considered the first period in the history of American cooperation came to a close with the rise of the Grange movement in the late sixties and early seventies. Most of the cooperation up to this time had been informal and largely in the field of joint production. With the founding in 1867 of the National Grange, Patrons of Husbandry, the organized farmer became a potent influence in American business and politics.

Oliver Hudson Kelley, a Minnesota farmer, who had been sent to the Southern States to obtain information on the status of agriculture at the close of the Civil War, returned to Washington, D. C., with a vision of a great fraternal order for farmers. After reporting to the Government, he turned his attention to the elaboration of plans for an organization that would be nationwide if not worldwide. The new order was to consist of local units, called granges, which would unite to form State organizations, and the heads of the State granges would constitute the National Grange, Patrons of Husbandry. Six government clerks, including Kelley and a fruit grower, set up the national unit on December 4, 1867, after which Kelley went to the farming sections to organize locals. Progress was slow until he determined that the new order was as well implemented to deal with

economic problems as social and fraternal. Prior to this but 87 locals had been formed. In 1871, 133 charters were issued; the next year, 1,130; in 1873, 8,634; and in 1874, the peak year, 11,927. With the passing of the depression of that period, there was less interest in forming organizations. Only 2,311 granges were chartered in 1875; 140 in 1877; and 28 in 1879. In 7 years, including 1874, a total of 21,911 locals came into existence. At the close of 1874, 40 of the States had one or more granges.

To farmers complaining of burdensome expenses and high prices, the Grange furnished a standard under which, it was believed, their scattered forces might unite for the march to prosperity.

The demand that the new order set up business enterprises seemed irresistible, so the National Grange, with head-

Wagon loads of wheat lined up at the co-op grain elevators as long ago as 1857.

This picture dates back to the early-vintage autos.



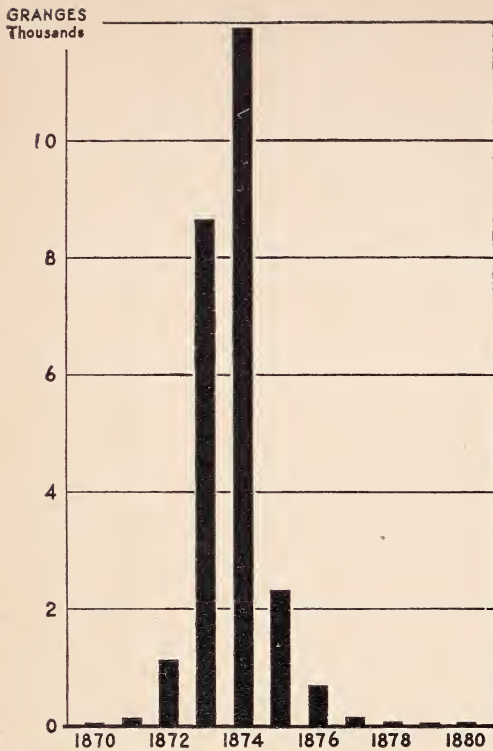


FIGURE 1.—More than 20,000 granges were chartered during the 3 years 1872, 1873, and 1874. A large part of these were concerned with cooperative purchasing or marketing, or both. Many of the granges established agents to do group buying; the granges in the Southern States gave attention to cotton marketing; in Maine and Kansas cooperative stores were started; and the grangers of Iowa undertook the manufacture of farm implements.

quarters in Washington, D. C., referred the question of business ventures to the local and State units. Cooperative marketing became the objective in some States, cooperative buying in others, and in most of the remaining States it was both marketing and purchasing. County granges were created in many cases to act as business enterprises for the members of the local units. Later a ritual was prepared for these county organizations and they became the Pomona granges of today, concentrating on ritualistic activity, rather than practical economics.

The National Grange did not succeed in freeing itself entirely from responsibility for business ventures. At its annual meeting in St. Louis in 1874 it adopted a declaration of purposes, which contains this historic statement: "We propose meeting together, talking together, working together, buying together, selling together, and, in general, acting together for our mutual protection and advancement . . . We desire only self-protection and the protection of every true interest of our land, by legitimate transactions, legitimate trade, and legitimate profits."

A representative was sent to Europe to gather first-hand information about cooperation.

An early writer on cooperation says: "The great contribution of the National Grange, however, was the formulation and distribution by its executive committee, in 1875, of a set of rules for the organization of cooperative stores. These rules were based on those of the 28 weavers of Rochdale . . . They prescribed buying and selling for cash, limiting interest on capital to the 'going rate,' and distributing other net gains among member-patrons."

Activity extended to cotton

Grangers in the Southern States concentrated on the marketing of cotton. The State granges of Alabama and Mississippi selected and put under bond established cotton firms. The Alabama State Grange also had an agent in New York City to handle cotton on consignment and the Mississippi State Grange had its own representative in Liverpool. Warehouses were leased in these States for the receiving, grading, shipping, and financing of cotton. In Georgia, the State grange arranged with buyers to handle its members' cotton in large lots.

The Louisiana State Grange, with a member serving as its agent in New Orleans, sold cotton in 1875 worth \$744,000.

An agency for handling cotton was established by the Arkansas State Grange at Little Rock. Members from nine State granges presented a memorial at the seventh session of the National Grange urging that cotton acreage be reduced and that more foodstuffs be produced. The Texas Cooperative Association, with authorized capital stock of \$100,000, was set up by the Grangers of that State with headquarters at Galveston. The association served as a wholesale for 129 cooperative stores and handled cotton on commission. It was still active in the late eighties.

Expanded purchasing power sought

When the farmers in the north Mississippi Valley began organizing granges they were thinking largely of making the money they had to spend go farther. Purchasing agents were appointed by the State granges to assemble orders and place them with dealers who would ship direct to farmers. Many local granges also had their own purchasing agents. Following the recommendations of the National Grange in 1875 separate associations were set up which were cooperative according to Rochdale principles.

A Michigan organization of the Rochdale type was the Cooperative Association of the Patrons of Husbandry of Allegan County, organized in 1875. Cooperative purchasing was undertaken to serve the families belonging to the 15 granges in the county. At first the association functioned as an order-buying club, each family making out a list of its needs for 30 days. It was only a

short time before a stock of goods was acquired. Purchases and sales for cash was the rule. The association received money on deposit and paid 5 percent interest. Deposits often amounted to as much as the capital stock. The store was a county institution and when it was destroyed by fire with a loss of \$50,000, it opened the next morning in temporary quarters and made sales amounting to \$400 for the day. Its sales for May 1890 were \$14,782.99. Of this amount \$341.06 was carried to surplus. The store was still operating in 1917, but during the years the original cooperative set-up had ceased to exist and the store had evolved into one of the principal privately operated merchandising enterprises at the county seat.

The story is somewhat the same for the Johnson County Cooperative Association at Olathe, Kans., organized in 1876 to operate a general store. For 10 years the key man in this enterprise was the master of the Kansas State Grange. It is said that the Rochdale plan was "followed in its purity." The first year the store had sales of \$41,000; in 1891 they were nearly \$270,000. At that time there were six branches in the county. The main store sold groceries, meats, "gentlemen's goods, custom-made and in cloth," ladies' furnishings, hardware, and agricultural implements. There was a printing and publishing business as a side-line activity. In 1891 it was stated that "these 700 grangers are today worth \$150,000, more than they would have been had they never undertaken this cooperative work."

An offshoot of the Olathe store was the Patrons Cooperative Bank. This financial institution by 1891 had accumulated assets of nearly \$200,000 and deposits of about \$164,000.

The Linn County Patrons Cooperative Association, now the Patrons Cooperative Mercantile Association, was started about 1873 in the home of one of the members of Cadmus Grange, located in the northern part of Linn County, Kansas. None but Grangers were eligible to membership. A charter was granted by the State to the association in 1876.

When in 1886, the extension of credit had become a serious matter and it was decided to go onto a cash basis, sales increased from \$10,000 to \$11,000. Some years later, in commenting on the change in policy, Edward Blair who was manager from 1886 to 1903, said: "Our clerks are willing to work for less wages, as they are not obliged to 'thrash' half the customers for kicking at being dunned."

Mr. Blair was again manager in 1935 and then reported that the association had paid dividends continuously from 1886 to 1931. In 1951 sales amounted to \$70,000 and the membership stood at 200.

Co-op stores start in many states

Cooperative stores were started during this period by the grangers of other States. The Houlton Grange Store, Houlton, Maine, organized in 1878, had 643 members in 1937; the Grange store organized in 1877 at North Jay, Maine, reported 272 members for 1937. A Grange store formed at Camden, N. Y., in 1875 reported sales of \$118,698 in 1938.

Iowa Grangers in the seventies were much concerned with farmer-owned facilities for handling grain. Forty associations for operating elevators were formed during the 7 years beginning with 1871. During this period the Ken-

tucky grangers sponsored warehouses for receiving and handling tobacco.

A meeting of the managers of Grange stores was held in Chicago in November 1876, at which a Northwestern Cooperative Association was planned which would operate a wholesale in Chicago for the local stores. There is no record, however, that the plan ever went through.

Grange enters California

The most pretentious of the granger programs for cooperative marketing and purchasing was that developed in California. The price of grain sacks was a major grievance in the early seventies; also the low prices paid for wheat, the principal outlet for which was Liverpool. In an effort to remedy these causes of irritation the State Farmers' Union was organized in 1872 and in the following year it was reorganized as the California State Grange. It was proposed to buy cooperatively supplies including farm machinery, to establish a farmers' bank, also cooperative stores, and to export grain. A commission firm was appointed as shipping agent and a State agent was selected to negotiate for sacks and other supplies. An unusually heavy wheat crop was harvested in 1874. Seventeen cargoes of granger wheat had been exported and 15 vessels were under charter when the commission firm failed, causing heavy losses to the farmers. At the fall meeting of the State Grange a new organization was created, the Grangers' Business Association, to take over the marketing activities. As late as 1894, this organization was doing a warehouse and commission business, handling grain, wool, and farm products of all kinds. Orders were solicited for general mer-

chandise, groceries, and farm implements. The association had a large warehouse at Port Costa and a "wharf with accommodations for the largest vessels afloat." In the course of time the farmers in the vicinity of San Francisco lost much of their interest in wheat production, with the result that the business of the association declined and finally came under the control of a privately operated commission firm.

Early co-op bank formed

Another California cooperative venture was the Grangers' Bank of California, organized at about the same time as the business association. This enterprise, which started with a few thousand dollars, had a paid-up capital of \$1,000,000 and reserves of \$130,000 in 1895. Dividends, over a 16-year pe-

riod, averaged 8 percent. Money had been advanced on grain and other produce stored in warehouses at shipping points. It is reported as having "saved millions of dollars for the farmers of California." The bank assisted in the formation of granges and cooperative associations. Market reports were issued, also statistics pertaining to supply, demand, prices, and rainfall. After operating for 21 years the bank was liquidated, making payment in full to all depositors, stockholders, and other claimants.

An association formed (1877) during the Grange period but having no known connection with that organization was the Goodlettsville (Tenn.) Lamb and Wool Club. This farmers' cooperative is still handling the wool clips of its members.

Grange Stimulation Lasted Into Present Century

Although the organization of granges had almost ceased in all of the States by the close of the seventies, many of the Grange's economic enterprises continued through the eighties and into the nineties. A few of these cooperatives were still alive at the beginning of the present decade. Their tenacity of life is evidence of the grip which the cooperative idea obtained upon the farmers of 70-odd years ago.

The significance of the founding of the Patrons of Husbandry lies in the fact that farmers were provided with a plan for banding together in large numbers and were given an opportunity to demonstrate that by so doing much could be accomplished which was impossible under "rugged individualism." That the idea of organized action was in the minds of farmers in different parts of the country during the early days of the Grange is evidenced by the farmers' convention in Illinois in 1869,

and the National Congress in Alabama in 1871. But Kelley and his six associates developed the technique which made possible the realization of united farmer action.

The push given farmer cooperation by the first generation of grangers lasted well into the twentieth century. It was stimulated from time to time by the founding of other organizations, such as the Farmers' Alliance, the Agricultural Wheel, the Ancient Order of Gleaners, the Farmers Cooperative and

Educational Union of America, the American Society of Equity, and the American Farm Bureau Federation.

As the weaker of the Grange-sponsored organizations were flickering out during the period of recovery following the depression of the seventies, farmers continued in their efforts to find ways for becoming more prosperous.

Marketing ventures launched

An association for making butter on a large scale was established under the name of Turner Centre Dairying Association at Auburn, Maine, in 1882. The name was changed in 1919 to Turner Centre System. Because of "exceptionally good fortune in marketing" in 1912 a "patrons" dividend of 2 percent on "the gross value of all milk and cream furnished" was paid. For a number of years beginning with 1913 a dividend varying from 1 to 5 percent of their wages was paid to employees. It was successful until its expansion into other New England States caused a rapid increase in operating expenses with lower net returns to the farmers.

Cooperatives for marketing fruit were organized in Delaware and at San Francisco in 1881; in New York, Florida, and California in 1885. The California Dried Fruit Association appeared in 1888, and the Florida Fruit and Vegetable Growers Union in 1889. The Orange Growers Protective Union, organized in southern California in 1885, supplied its members with information and directed fruit to desirable markets.

The most significant of these enterprises was the Florida Fruit Exchange (not the present organization) formed under Farmers' Alliance sponsorship in 1885 or '86. It made connections in

promising markets, shipped by boat to Boston, and established auctions. In 1889 the exchange was serving several score of local groups and in 1893 it exported 80 carloads of fruit, mostly to Liverpool. The next year a program for central packing houses was developed. Everything seemed propitious when two severe frosts killed almost all of the citrus fruit trees. Not until 1909 was there enough fruit to again justify a State-wide organization. Then the present Florida Citrus Exchange was established.

An outstanding development in the field of cooperative grain marketing was the formation in 1889 by five Iowa elevators of an association for mutual support. The organization, although short-lived, was suggestive of what was to come later.

Start selling livestock

What appears to be the first successful cooperative terminal-market sales agency was organized by Corn Belt stockmen in 1889. It was the American Live Stock Commission Co., incorporated under Illinois law with an authorized capital stock of \$100,000 divided into \$100 shares. The principal shareholders were the Farmers' Alliance State organizations in Kansas, Nebraska, and Missouri and the Kansas State Grange. The company began business with \$25,000 of paid-in capital stock. Offices were established at the Chicago, St. Louis, Omaha, and Kansas City markets. Thirty-five percent of earnings went to capital and 65 percent to shippers. The earnings for the first operating period were more than \$45,000. During the year ending with November of 1890, 188,028 head of



Livestock shipping associations, "in the horse and buggy days," enabled the producer with less than a carload to sell on the terminals rather than to local buyers, by making up a carload with his neighbors. This association was at Litchfield, Mich.

cattle, 22,883 calves, 110,698 hogs, and 6,275 sheep were sold for farmers, sales for the 4 offices amounting to \$2,500,000. Because the commission charges not required for expenses were returned to the producers on a patronage basis the cooperative was soon in difficulty with those who controlled the markets and had to discontinue business.

New types of co-ops developed

Other enterprises organized about this time were the New England Tobacco Growers' Association, about 1880; Farmers' Shipping Association, Superior, Nebr., 1883; Putnam County Wool Growers' Association, Greencastle, Ind., 1885; Knox County Livestock Exchange, Mount Vernon, Ohio, 1885; and Nielos and Ranchita Walnut Growers, California, 1887.

The decade of 1880-89 closed with about 1,000 active farmers' cooperatives. Of this number between 700 and 800 were handling dairy products, nearly 100 grain, and about as many more fruits or vegetables or both. Most of these enterprises were independent local organizations each blazing its own trail, solving its own financing, membership, and marketing

problems. The average membership of these independent units could not have been much over 100.

Cooperation expands anew

The new decade opened with a feeling that the more serious problems of the farmer had been solved. Herbert Myrick in his book, "How to Cooperate," published in 1891, says:

The true way out of the evils that now afflict both producers and consumers is through an agency that already exists. It is right at hand. Its ways are the methods of peace. This agency requires no favored legislation, no political revolution, no social overthrow. It builds up instead of tearing down. Yet its success has been abundantly demonstrated under the most adverse circumstances. It is as permanent as a human institution may be. It supplies its own capital, insures its own prosperity, and increases in practical beneficence with age. Thoroughly Christian in nature and application, no phase of belief can take exceptions to it. Nor does it antagonize the reforms in politics and government and taxation, in land or finance or transportation, that are now so prominent in the public mind.

Much the same optimistic spirit had prevailed in 1871, 1872, and 1873, following the discovery of cooperation by the grangers; also in the early twenties when the large-scale, centralized, commodity-marketing organization moved to the center of the stage.

New Period Sees Co-ops Grow to 12,000 in Number

The 30 years extending from 1890 to 1920 constitute the third period in American cooperation. During this period the number of active enterprises increased to more than 12,000. Local cooperatives became established in nearly all the States and the cooperative method of marketing was adapted to most of the products for which sufficient quantities were available to permit of carlot shipments.

The local shipping association developed to full stature. This cooperative agency assembled products, sorted, graded, packaged them, loaded them into cars and started them on their way to the central markets, there to be sold, usually on consignment by a commission agency. The shipping-point associations undertook to render these functions more inexpensively and more satisfactorily than the existing agencies were doing. In most cases the locals were successful. The costs of handling were materially reduced by cooperative action. A more marketable product was sent to the cities and the returns received by farmers were generally a larger percentage of the wholesale price. Thus, the farmer made a definite step forward in extending his business activities beyond his own fences and toward the central markets.

Terminal market selling tried

At the same time that most of the existing groups were engaged in perfecting the technique of shipping-point activities, a few farmers were struggling with the problem of evolving cooperatives which could function at a point further along on the road to the consumer than the local railroad siding. Some of the experimenting was in the nature of federating shipping-point associations in behalf of uniform practices. It was expected that the larger groups might more nearly meet the

demands of the markets, which were supposed to reflect the needs of the consumer. In some cases groups larger than the average were formed with the hope of handling a substantial percentage of the total production of the commodities involved and thus influencing the supply side of the supply and demand equation. Still other groups moved cautiously toward the central markets and established trial agencies for cooperative selling, depending on the local associations to keep them supplied with products to sell. Many of the associations organized during the 30-year period are today vertebrae in the backbone of agricultural cooperation.

The California State Raisin Growers' Association, formed in 1892, represents an early effort to establish a minimum price. In 1893 the Hood River (Oreg.) Fruit Growers' Union, a forerunner of the Apple Growers' Association of today, was launched. Early in 1891 the West Side Fruit Union was formed at Santa Clara, Calif., to handle dried prunes.

The Fruit Growers' Union of Southern California, the Riverside Orange Trust, and the Riverside Growers and Packers' Protective Union were among the many associations started in the early nineties.

The Southern California Fruit Exchange came into existence in 1895 as a federation of local shipping associations. Ten years later the name was

changed to the California Fruit Growers' Exchange. In 1952, the name of the organization was changed to Sun-kist Growers, Inc., thus bringing to the corporate name "one of the leading trade-marks in America." During the 1952-53 season this cooperative shipped 73 percent of the fruit moved into fresh channels by the California-Arizona citrus industry. By varieties this included 54,249 standard cars of oranges, 17,618 of lemons, and 3,300 of grapefruit.

About 1895 there was an effort by the New Jersey and Massachusetts cranberry growers to adopt a uniform marketing program. Grape growers in New York State set up the Chautauqua and Erie Grape Co. in 1897, which in 1919 became the Chautauqua and Erie Grape Growers' Cooperative Association, Inc.

Grape growers in the southwestern

corner of Michigan organized the Southern Michigan Fruit Association in 1898. At about the same time Iowa farmers formed the Council Bluffs Grape Growers' Association.

Potato growers on the strip of land between Chesapeake Bay and the Atlantic Ocean organized in 1900 the Eastern Shore of Virginia Produce Exchange. For more than 50 years this cooperative has been marketing for its members and purchasing their supplies.

Cooperative egg marketing was given a new start in 1901 by the formation of the Santa Rosa Poultry Association and Egg Exchange, Santa Rosa, Calif. Hay, grain, mill feeds, and other supplies were bought for its 200 to 300 members. Total business was over half a million in 1921. The following year the management took over the business to continue it as a private venture, with everybody satisfied.

Estimated Value of Farm Products Marketed for Patrons, by
Geographic Areas, 1951-52

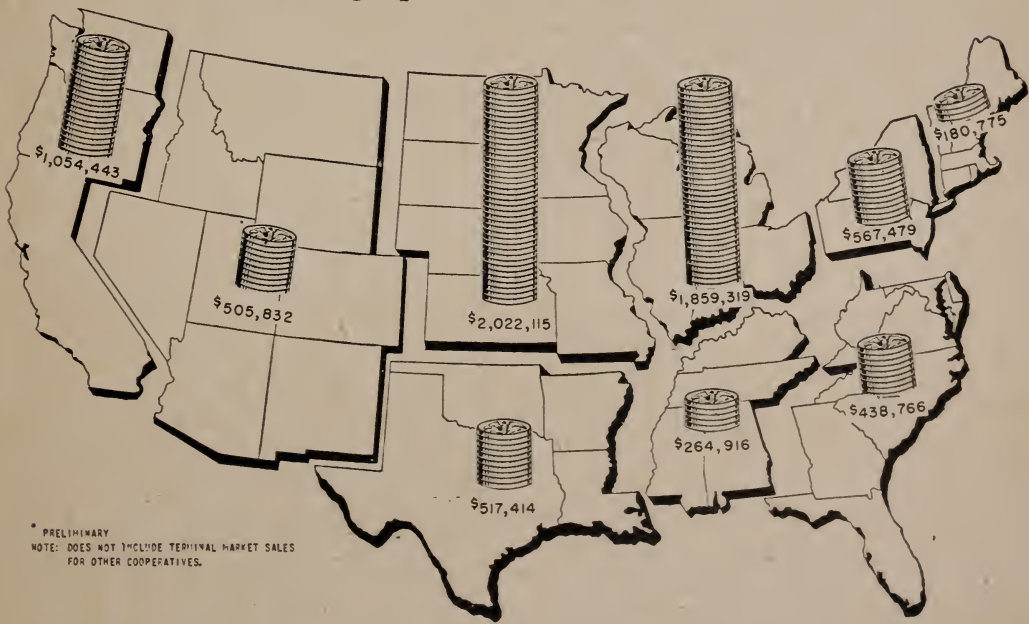


FIGURE 2.—The West North Central and East North Central areas combined account for a little more than one-half the total net value of farm products marketed by cooperatives.



The Southern Michigan Fruit Association was organized in 1898. This picture, at Lawton, Mich., was taken in 1916.

Farmers' Union and Equity begin

Two general farm organizations launched in 1902 were destined to be important factors in agricultural co-operation. The Farmers' Educational and Cooperative Union of America was started in a country schoolhouse in Texas and the American Society of Equity had an equally humble origin in southern Illinois. The Union, as its name implies, favored education and cooperation. Price control seems to have been the basic idea of the Equity. Both organizations are still contributing to the development and expansion of cooperation, although the Equity, now called Farmers Equity Union, does not have quite the same objective as in the beginning.

Enough farmers' elevators were operating by 1903 to justify the organization of farmers' grain dealers associations for Nebraska and Illinois. The following year a national convention of cooperative institutions was held in Minneapolis.

Terminal markets entered again

A second attempt on the part of livestock producers to enter the terminal markets for the purpose of selling the

animals which they had raised and fattened occurred in 1906. The Co-operative Livestock Commission Co. opened its doors for business at the Chicago, Kansas City, and St. Joseph stockyards in September of that year. The opposition of some of the dealers was greater than the young co-op was prepared to cope with, although it held on until December of 1909.

The Mutual Orange Distributors was organized at Redlands, Calif., in 1906, to market citrus fruit for its members.

There was considerable discontent among the tobacco growers of Kentucky during the early years of this century. In an effort to prevent the accumulation of large stocks of tobacco which would result in low prices a "crop reduction program" was developed. "Night riders" burned warehouses and barns and destroyed planting beds. Under Equity sponsorship the Burley Tobacco Society was formed in 1907, with little improvement in conditions.

Wool co-op proves effective

Seven hundred wool producers in Montana, Idaho, Wyoming, Colorado, and Utah organized the National Wool Warehouse and Storage Co. in 1909 as a cooperative sales agency to operate in the terminal markets. Warehouse space was obtained at the union stockyards, Chicago, where wool was received for storage, or for sale on consignment. The company became the marketing agency for wool growers' associations in Illinois, Kansas, South Dakota, and Montana. After operating successfully for 11 years it came to grief by an overadvance to producers. Some of the prime movers in the original enterprise were instrumental in setting up the National Wool Exchange in Boston in 1925, which later reorganized

as the National Wool Marketing Corporation of today.

Poultry and egg men in New York State organized the Central New York Egg and Poultry Shippers' Association in 1909, hoping that by so doing their line of farming would yield more dollars.

The Lima Bean Growers' Association, organized at Oxnard, Calif., in 1909, as a centralized capital stock enterprise, is believed to be the first of the large-scale direct-membership associations. According to an authoritative source, "It was an outright pooling organization. It did not have any locals and it immediately entered into a contract with its growers for the taking over and the

marketing by the central of their crops." The association served the lima bean growers of six counties. It went through many changes of form and in 1916 was reorganized under the name of California Lima Bean Growers Association, with 18 local groups, each of which selects a representative for the board of directors of the overhead organization. This latter is the marketing agent for all the local units.

The Guinda Almond Growers' Association, Guinda, Calif., and a raisin exchange, also in California, were started in 1910. The latter attacked the marketing difficulties of the raisin growers which were becoming acute.

Optimism Brings New Growth to Co-ops

During the second decade of the twentieth century local associations for receiving and forwarding to market farmers' products were increasing at guinea-pig rate. The formula for making such enterprises succeed had become common knowledge. As the locals increased in number, it was more and more apparent that the local association was only a partial solution of the farmer's difficulties. He was cutting expenses at the shipping point, but still his income was not sufficient for his needs.

Considerable attention was given to perfecting the technique of cooperative selling through federations of locals. At the same time a few venturesome spirits were exploring the possibilities of replacing local associations with large-scale organizations which would serve entire producing regions. Still others were searching for the technique of successful cooperative selling on the terminal markets. By the end of the 1910-19 period there were strong cooperatives representing each of the three different methods for dealing with the marketing problem.

The air was filled with optimism based on the idea that the farmer to

attain his place in the sun had only to organize associations for selling his crops and animals. This he did. Nearly 7,000 associations for marketing farm products were formed and about 1,300 organizations for purchasing supplies. In 1920, the peak year for the organization of cooperatives, new associations appeared at the rate of 5 a day. More than a third of the new enterprises were for the marketing of grain, one-sixth for handling dairy products, one-seventh for shipping livestock, and more than a tenth for marketing fruits and vegetables.

About 1913 the Wisconsin Society of Equity became highly interested in co

operative slaughtering and packing. More than 2,000 Wisconsin farmers with others from Iowa and Minnesota took over a plant at La Crosse, Wis., and went into business. Other farmers subscribed for stock for the erection or purchase of plants at Wausau, New Richmond, and Madison, Wis.; Fari-bault and St. Paul, Minn.; Fargo, N. Dak.; and Rockford, Ill.; as well as at other points. About 4 million dollars went into these enterprises, some of which managed to keep going for 10 years or more. Member-farmers were provided in some cases with nearby outlets for their animals, but these benefits were far from equalling the investments.

Another event of this decade was the enactment of new cooperative laws for Wisconsin and Nebraska in 1911.

Farmers hold marketing parleys

Early in April of 1913 the First National Conference on Marketing and Farm Credits was held in Chicago. The gathering was sponsored by the publishers of nine farm papers. In the call for the conference reference was made to "how to organize the producing interests for better methods of distributing and marketing farm products and how farmers may unite to secure better credit. . . ." The subject of co-operation was discussed by many of the speakers during the 3-day session. Similar conferences were held in 1914, 1915, and 1916, with cooperative marketing by farmers well to the front.

The American and United States commissions for the study of agricultural cooperation in Europe sailed in April of 1913. They consisted of 67 men and

women from 29 States, the District of Columbia, and 4 Canadian provinces. Some were outstanding farmers, others were deeply interested in cooperation, and others were connected with educational institutions. The report of the commissions, printed as a public document, consisted of over 900 pages. The 67, who spent nearly 3 months in an intensive study of cooperation in its many fields, on their return to America undoubtedly had an influence as individuals on agricultural cooperation.

Office of markets is created

In July of 1926, what is now Farmer Cooperative Service was established in the Bureau of Agricultural Economics as the Division of Cooperative Marketing. The act establishing this Division recognized a function that the Department had been conducting for a number of years. The first project dealing directly with farmer cooperatives was set up in 1912. In 1913 the Office of Markets was authorized to deal with marketing and other economic problems of agriculture. One of the first projects established in this agency was known as Cooperative Purchasing and Marketing.

Even earlier, back to the days the Department itself was established, its specialists worked informally with the cooperatives then in existence. They gave advice to the early cooperative cheese factories and creameries regarding equipment and manufacturing techniques. The work which the Cooperative Marketing Act of 1926 recognized, therefore, was of long standing.

The Smith-Lever Act, enacted in 1914, is the basis of the extension system of the United States Department of

Estimated Value of Farm Supplies Purchased for Patrons, by Geographic Areas, 1951-52

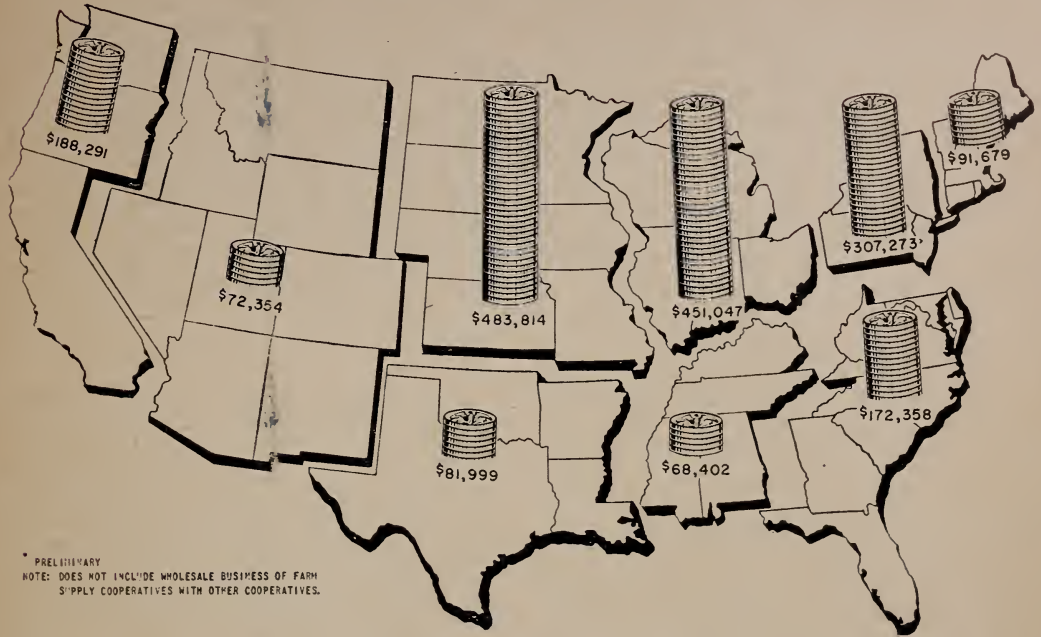


FIGURE 3.—Patrons of cooperatives in the West North Central area purchased one-fourth of the total volume of supplies handled by cooperatives, and those in the East North Central area followed closely with purchases of a little more than 23 percent of the total.

Agriculture and the State agricultural colleges. It provides a substantial portion of the funds for the county farm and home demonstration agents in most of the 3,000 counties. While it was generally supposed that the agricultural agents would be occupied largely in directing farmers toward more efficient production, the demand for aid in solving economic problems was too great to be ignored. Much time was given even in the early days of the extension system to meetings at which cooperation was the principal topic and many marketing associations came into existence because of the guidance and constructive efforts of these men.

The Clayton Act passed by Congress in 1914 provided that:

Nothing contained in the antitrust laws shall be construed to forbid the existence and operation

of labor, agricultural, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the antitrust laws.

American Farm Bureau Federation stresses cooperation

With the forming of the American Farm Bureau Federation in 1919, another general farm organization was added to the list of those fighting the farmers' battles in the State legislatures and in Congress. During the early years of the federation, great stress was laid upon encouraging the formation of cooperatives.

Several outstanding cooperatives came into existence between 1910 and 1920. Among these was the Equity Cooperative Exchange formed in 1911, which set up its own board of trade for the selling of wheat in the Twin Cities. Many of the farmers who were members of the original organization are now identified with the Farmers' Union Central Exchange or the Farmers' Union Grain Terminal Association, both at St. Paul, Minn.

The California Associated Raisin Growers, organized in 1912, is still operating as the Sun-Maid Raisin Growers' Association of California. In the same year the local associations which had been formed to handle walnuts were federated into the California Walnut Growers Association.

Kansas farmers formed the Farmers' Union Jobbing Association in 1914 to assist them in marketing their wheat and to purchase their farm supplies. Membership in this federated organization now includes more than 230 local cooperatives marketing grain or purchasing supplies through the regional association.

One of the first national organiza-

tions for directly looking after the welfare of cooperatives was the National Milk Producers' Federation, organized at Chicago in December of 1916. Its chief purposes were to investigate the conditions and contracts under which milk was sold, to disseminate information concerning prices, markets, and grades, to promote legislation dealing with grades and standards and in general to protect the milk industry.

Dairy federation has wide objectives

The National Milk Producers' Federation does not engage in business but acts as a clearing-house for its member associations of which there were 100 at the close of 1953. When authorized, the federation represents its members in matters relating to Federal legislation and administration of Federal laws wherein dairy cooperatives have direct interest. Its offices are in Washington, D. C.

Two California associations, one for marketing prunes and apricots, and the other for peaches and figs, came into existence in 1916. The former association is now marketing fruit for nearly 5,000 grower-members.

The two largest associations for marketing eggs were started in 1917. On the first day of the year the Poultry Producers of Central California began to function. Today this cooperative has nearly 12,000 members. The Washington Cooperative Egg and Poultry Association began business with 150 members. Now known as the Washington Cooperative Farmers Association, its members number more than 35,000.

A Vermont co-op creamery in a far off yesterday.



Farmers sell wool cooperatively

Ohio farmers who had formed a society for the exchange of information relating to sheep raising and wool production back in the eighties reorganized for marketing in 1918, under the name of the Ohio Wool Growers' Cooperative Association. This organization has a large warehouse at Columbus, Ohio, where the wool clips of its 7,500 members are received, graded, stored, and sold.

The National Pecan Growers' Exchange, with headquarters at Albany, Ga., was also started in 1918, but discontinued operations in 1942. In 1919 the oldest of the existing large-scale tobacco organizations began operating at Baltimore under the name of the Maryland Tobacco Growers' Association.

The first of the still-active livestock terminal market sales agencies owes its origin to the appointment of a committee of five at the convention of the Nebraska Farmers Union in January of 1917. The Farmers Union Live Stock Commission began business at the Omaha stockyards on April 2, 1917.

In 1924 the State unions for South Dakota and Iowa joined in sponsorship of the enterprise. Later the unions in Colorado and Montana added their support. This enterprise is now doing business under the name Farmers Union Livestock Association.

The year 1919 closes the third period of farmers' cooperative activity. For more than a quarter of a century the number of associations for handling farmers' products at the shipping point had been increasing. During the latter years, from 3 to 5 organizations were formed daily. It is true that successful federations of locals for marketing, large-scale regional associations, and terminal marketing sales agencies had been set up and were working to the advantage of their farmer members. It is further true that the number of locals continued to increase for several years following 1919. But this year marks the shift in emphasis from local organizations at shipping points to large-scale enterprises operating over producing areas or at the terminal markets.

Implied Monopoly Control Attracted Farmers

Early in 1920 the farmers were given a new slogan, "commodity marketing." It was proposed that large-scale associations be created to handle the entire output of specified crops in the important producing regions. Back of this idea was the unmentioned but implied promise of monopoly control and monopoly prices. As the farmers caught the hint they became cheerful, at least for a year or two.

There is no better measure of the prosperity idea than the data collected in the agricultural censuses of effect on the farmers of the monopoly-

1919, 1924, and 1929. In the first year 9.7 percent of all farmers participated in cooperative marketing or purchasing; by 1924 the percentage had increased to 15.5, but during the following 5 years it dropped back to 13.1 percent, the farmers not having prospered as they had hoped.

Not all the associations formed after 1920 were launched under the spell of "monopoly and prosperity," but enough to color the cooperative development of the period. This period began at a meeting of delegates from the cotton growing States held at Montgomery, Ala., April 13 and 14, 1920. There were present, in addition to the delegates, representatives from the southern agricultural colleges and from the United States Department of Agriculture. It was agreed by those present that the cotton industry should be organized and a committee was appointed to prepare a plan.

"Orderly marketing" proposed

At this point in the meeting, consideration was given to the establishment of organizations set up under the "Sapiro plan." The proposed plan provided for large commodity associations under highly centralized control, which would serve the farmers of producing regions or large subdivisions of such regions. Only one commodity would be handled by any association. The energy of each organization would be concentrated upon getting control of a large portion of the commodity with which it was concerned and marketing it in an "orderly" manner.

The delegates to the Montgomery meeting returned to their homes and began operating large-scale associations. Several hundred thousand farmers adopted this program.

Central control co-ops thrive

Statewide associations were formed for marketing cotton; regional associations for marketing tobacco; State and regional associations for handling wheat; associations for marketing broomcorn, white potatoes, onions, peanuts, rice, sweetpotatoes, olives, alfalfa, milk, melons, poultry, and tomatoes. "Ironclad" contracts were used to insure that the farmers who signed up delivered their crops.

At the close of 1920 there were 16 large-scale centrally controlled cooperatives with 49,746 members; at the close of 1921, 31 associations with 249,632 members; at the close of 1922, 48 associations with 524,933 members; 1923, 65 associations, 709,669 members; 1924, 74 associations, 826,827 members; and 1925, 74 associations with 879,190 members. The largest of the new organizations boasted a membership of 109,000.

Contemporaneously with the dramatic "commodity marketing" experiment, associations were being formed according to patterns that were proving satisfactory. Among the new entrants to the cooperative fold were the Michigan Elevator Exchange (1920), a federation of local cooperatives handling grain and dry beans; the Minnesota Cooperative Creameries Association,

Inc. (1921), now the Land O'Lakes Creameries, Inc., marketing upwards of 100,000,000 pounds of butter a year; the Dairymen's League Cooperative Association, Inc. (1921), an organization for marketing the fluid milk produced by 33,000 New York dairy farmers; the Pacific Cooperative Wool Growers (1921), which is now the Pacific Wool Growers, handling the annual clips of producers in Oregon, Washington, Idaho, Nevada, and California, as well as some clips from Alaska; and the Utah Poultry Producers Cooperative Association (1923), which provides 6,000 poultrymen with marketing service including an outlet in New York City.

Farm Bureau plans co-op setups

Special committees for preparing plans to establish cooperative marketing enterprises were sponsored by the American Farm Bureau Federation at the beginning of the 1920-29 period. A committee of 17 concerned itself with developing a national plan for marketing grain, a committee of 15 devoted its attention to livestock, a committee of 21 to plan for marketing fruits and vegetables, and a committee of 13 for studying the marketing of eggs.

The Farm Bureau Federation called conferences which selected and instructed the committees. The conference at which the first of these committees was created, held in Chicago in July 1920, was attended by representatives of the State cooperative grain

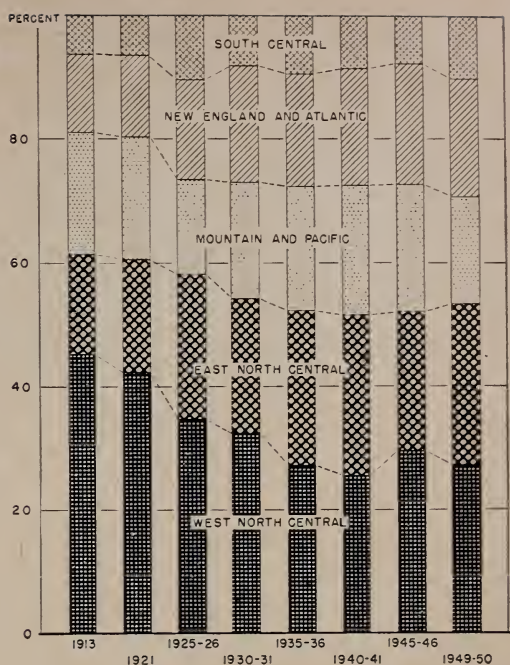


FIGURE 4.—From 1913 through 1940-41, the percentage of cooperative business in the West North Central division has decreased. In 1945-46, however, it showed an increase, but dropped again in 1949-50. The Mountain and Pacific States are doing about the same percentage of cooperative business as in 1913.

dealers' associations, farmers' unions, societies of equity, State granges, State farm bureaus, as well as the Secretary of Agriculture and other representatives of the United States Department of Agriculture. The resolution committee urged that a committee of 17 be appointed "to consider, formulate and submit . . . a definite plan of organization whereby all organizations of grain producers can conduct cooperative grain marketing through one or more central organizations or grain exchanges." The conference further resolved, "That we believe that true cooperation will furnish the solution

of the grain-marketing problems of this country . . ."

The committee, with the help of specialists from the United States Department of Agriculture and "four statisticians and investigators from the Federal Trade Commission," after "nearly 7 months . . . spent in an exhaustive study of cooperative grain marketing," adopted a plan which was ratified in April 1921 by democratically selected delegates from 23 grain States.

The plan proposed that an organization to be known as the United States Grain Growers, Inc., be formed to "handle and sell grain at cost for its farmer members." A number of subsidiary companies were to be "formed for handling various lines of business connected with grain marketing." Such an organization was incorporated and 21 farmers from 16 States were selected as officers and directors. There were departments for sales, finance, organization, transportation, legal work, pooling, statistics, and information. Quarters were rented in one of Chicago's tall office buildings and a staff was assembled in keeping with the ambitions of the founders. The first car of grain was received December 4, 1923. Seven more cars, 3 of wheat, 3 of corn, and 1 of oats, were handled before the association ceased operations in 1924.

Farmers continued to dream

Farmers continued to dream of having a national cooperatively owned sales agency. So the Grain Marketing Co. was formed. It began business in

August of 1924 and continued for exactly a year, handling during that time about 240 million bushels of grain.

There were no losses from this experiment. Despite the fact that the enterprise was managed by a nationally known farmer, it was insisted by many that it was not a real cooperative.

The National Farmers' Elevator Grain Co. Cooperative was incorporated May 1, 1925, with 92 farmers' elevators as stockholders. Eventually 227 elevators became affiliated with the company. It ceased operation following the bankruptcy of its subsidiary, the Rural Grain Company, in 1930.

Livestock producers organize

A committee of 15 selected in October 1920 at a conference in Chicago called by the American Farm Bureau Federation presented a plan in November 1921 for the orderly marketing of livestock. This plan provided for commission associations, the National Live Stock Producers Association to coordinate the activities of the associations and for producers' stocker and feeder companies. The National Live Stock Producers Association was organized in December 1921 and the first of the proposed commission houses was set up at the National Stockyards, East St. Louis, Mo., in January of 1922. The national organization was reorganized in May 1930. The new corporation was formed with authorized capital stock of 1 million dollars. Its stockholders are 22 cooperative organizations operating on 71 markets of the country. The National Feeder and Finance Cor-

poration, a subsidiary of the National Live Stock Producers Association, has six affiliated credit corporations at western markets.

Late in 1921, the Fruit Marketing Committee of 21 came into existence under American Farm Bureau Federation auspices. Its report, made in December 1922, states that some of the members were convinced "that if we wanted to do anything really effective for the benefit of the producers and the cooperatives, we must furnish a selling service, because there is where the cream of the proposition comes . . . the rest . . . is skim milk, and sometimes it sours. . . ."

Many cars of fruit moved

The Federated Fruit and Vegetable Growers, Inc., created as a national sales agency, took over the business of a going concern and began operating as a cooperative with the beginning of 1923. That year, 33,510 cars of fruits and vegetables from 39 States were handled. These were sold in 772 cities and towns in 46 States, the District of Columbia, and Canada. The association maintained sales offices in 11 of the principal cities of the country and had brokerage representatives in most of the important markets. It also provided local sales management service. In its first 8 years, it handled fruits and vegetables with a sales value of \$88,000,000. In order to serve growers' credit needs it set up in 1927 a credit corporation which directly and indirectly aided 1,200 growers to the amount of \$5,000,000. It continued operating into the 1930's.

A conference sponsored by the American Farm Bureau Federation and held



Compared with the covered trucks of today, this load of milk for 'an old-time co-op presents a striking contrast.

in Chicago in 1924, attended by delegates from the Atlantic and Pacific coasts and from as far south as Texas, spent a day in considering the cooperative marketing of eggs and poultry. Following this conference a general committee was appointed which aided in the setting up of State committees.

Growers form wheat pools

Among the many large-scale cooperatives started during the feverish days of the early twenties were 13 wheat pools. These generally operated over an entire State, farmers having direct membership in the organization. Eleven pools active in 1925 reported 98,000 members. The grain of the member-farmer was delivered under contract and sold by his organization along with grain of similar grade received from others. Returns were made on the basis of the average price for each pool, less operating expenses. More than 187 million bushels of wheat were marketed during the 10 years that the pools were active. Most of the organizations have disappeared. Traces of several can be found in some of the grain sales agencies now operating.

International wheat-pool conferences were held in 1926, 1927, and 1928. Included in the 84 representatives at the first conference at St. Paul, Minn., were 16 from the Canadian wheat co-operatives and 64 from cooperatives in the United States. The president of the Manitoba Cooperative Wheat Producers, Ltd., was chairman of the conference.

The second conference was held in Kansas City, Mo., and the third in Regina, Saskatchewan, in June of 1928. At the latter conference the Premier of Manitoba said, "In 10 years' time, if you and others like you, in different countries, do your duty and are equal to the task, cooperation will be the greatest movement in the world for the amelioration of economic conditions among the masses of rural people."

Co-ops Form National Councils

Two national cooperative councils were formed during the twenties. The first, the National Council of Farmers' Cooperative Marketing Associations, came into existence at a conference of the leaders in the "commodity marketing" campaign of 1920 and the succeeding years.

The conference was held at Washington, D. C., in December 1922. Many newcomers to cooperative marketing were present, as well as others, some of whom were primarily concerned with political and legislative problems of farmers' cooperatives.

A message from President Warren G. Harding stated: "I know of no single movement that promises more help toward present relief and the permanent betterment of agricultural conditions than this one."

The second meeting in February 1924 was also in Washington, as were all four of the annual meetings. First of the resolutions adopted was "that the causes of the present depressed conditions of American agriculture are, in the main, economic in character and can be cured only by the wise application of sound economic remedies by the farmers themselves."

At the third meeting in January 1925 there were addresses by the Secretaries of Commerce and Agriculture, as well as by members of the Council. A message from Horace Plunkett, of London,

England, noted Irish pioneer in cooperation, closed with the statement, "For the longer I live the more certain do I become that what the best of Governments can do for farmers is of insignificant importance compared with what, by carefully thought out and loyal cooperation, they can do for themselves. Marketing is a big factor in farming business, but by no means the whole of it."

The fourth and final meeting of the council, in January 1926, was only in part a "love feast." Some of the "commodity" associations were having tough sledding and there was evidence of uncertainty as to the future. The Dearborn Independent was conducting an aggressive nationwide campaign against certain cooperative leaders and many of the cooperatives then active. The

prosperity which seemed to have been just at hand in 1922 was still in hiding. The council had 41 members, most of which were large-scale one-commodity associations. Twenty-one of these are still active, although some have gone through reorganizations. The printed proceedings for the fourth conference state that "in number of paying membership the National Council is the largest farm organization in the United States."

Differences of opinion among those on the board of directors brought the work of the council to a standstill, resulting in the closing of the Washington headquarters in the spring of 1927.

Present Council is organized

The second council of marketing associations, the National Cooperative Council, was formed at the American Institute of Cooperation session at Baton Rouge in the summer of 1929 shortly after the creation of the Federal Farm Board. Its first formal meeting was in Chicago in December at which was adopted the policy of classifying member associations into divisions, as citrus and subtropical fruits, deciduous fruits and vegetables, livestock, and so on. It was decided to give support to the program of the newly created Federal Farm Board, and "to work toward the coordination of all public and cooperative agencies with the new Federal policy."

Annual meetings have been held since 1929. A primary objective of these meetings is the discussion of important questions of policy and procedures vital to the organization and operation of farmer cooperatives. The council issues a "blue book" at the close of each year. The name of the organization was

changed to National Council of Farmer Cooperatives in 1940. At present the council consists of 114 direct and associate members with about 5,000 affiliated locals.

Co-op Institute starts sessions

The American Institute of Cooperation was organized in 1925. Its first session lasting 4 weeks was held on the campus of the University of Pennsylvania at Philadelphia in July and August. There was a staff of 129 instructors and lecturers, most of whom were actively connected with cooperatives. Special courses were arranged for students seeking credit.

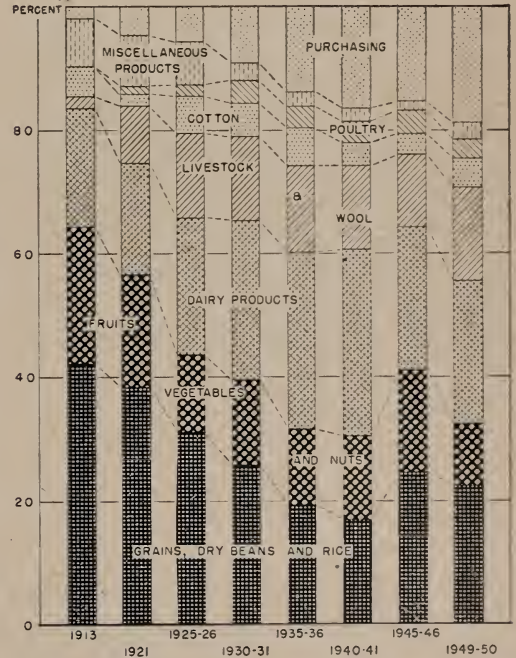


FIGURE 5.—Cooperative marketing of livestock is relatively more important now than it was 30 years ago. The cooperative purchasing of farm supplies has steadily increased from about 2 percent of the total cooperative business to a fifth of the total.

Since 1925 the annual sessions of the Institute have usually been held at land-grant colleges. Program topics discussed at these sessions are educational



An early cooperative cheese plant at Pine Island, Minn.

in nature and deal with cooperative organization and operating problems and procedures. Addresses, papers, and talks presented at the meetings are published by the Institute in "American Cooperation."

Institute activities in the more recent years have been on a year-round basis. The annual meeting continues to be an important information clearinghouse attended by members and officials of cooperatives, extension service and land-grant college staff members, research workers, youth groups from all over the United States, and others interested in agricultural cooperation.

The Institute carries on continuing programs with youth groups, vocational agriculture teachers, and land-grant college and State extension service staffs directed toward furthering educational efforts in the agricultural cooperative field. The Institute also actively sponsors and participates in State and regional meetings of the "clinic" or "short course" types for discussion and consideration of public

relations, membership, taxation, legal and other problems of cooperatives. A significant objective of the Institute is that of assisting the general public to a better understanding of farmer cooperatives and their place in our private enterprise system.

Cooperative Journal, an important influence for 12 years

An event of significance to farmer cooperatives was the launching of the Cooperative Marketing Journal late in 1926. The editors, publishers, and owners were cooperatively spirited and started the Journal in order to present research studies in the field of cooperative marketing. Their initial statement was: "Officers and directors will find the Journal jammed with searching articles of far-reaching importance." Not only were many articles of value by men well qualified to speak published during the 12 years that the Journal was issued, but an open forum was provided for those with messages

for farmer cooperators. The Journal, during its later years, was the property of a national organization which discontinued its publication early in 1939.

In many respects the work of the Journal is being carried on by the News

for Farmer Cooperatives. This monthly publication of the Farmer Cooperative Service covers new developments, trends, research results, and operating problems primarily for the use of the co-op manager or director.

Legal Developments Benefit Farmers' Cooperatives

Numerous important contributions to the legal side of cooperative marketing were made during the 1920-29 period. A Standard Marketing Act was drafted and accepted in slightly modified forms by the legislatures of more than half the States. Three Federal legislative acts of concern to cooperatives were put upon the books.

The Capper-Volstead Act which became law in February 1922 provided that "farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce, such products of persons so engaged . . . *Provided, however,* that such associations are operated for the mutual benefit of the members thereof. . . ." and conform to certain stated requirements. This legislation specifically sanctions associations that meet the requirements.

Four years later the Cooperative Marketing Act was passed by Congress. This law provided for a division of cooperative marketing in the United States Department of Agriculture, which division, among other things, should "acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries." It is under this law that the present Farmer Cooperative Service operates.

Near the close of the twenties the Agricultural Marketing Act was put upon the Federal statute books. This law provided for the Federal Farm Board which was appointed by the President in the summer of 1929. A revolving fund of half a billion dollars was authorized among other things to assist cooperatives. A number of new associations appeared in the early days of the Federal Farm Board which otherwise probably would not have been organized. Among these were several with the word "national" in their names. Some of the new enterprises were formed under general corporation laws rather than cooperative statutes. Substantial aid in the form of loans from the revolving fund was extended to some of the new enterprises.

Among the Farm Board organizations still operating on a large scale are the National Live Stock Producers Association, a federation of terminal market sales agencies; the National Wool Marketing Corporation; the American Cotton Cooperative Association, a federation of State and regional associations; and the National Beet Growers' Federation, an organization of regional bargaining associations.

FCA formed in 1933

The most important event of the thirties pertaining to farmers' cooperatives was legislation creating the Farm Credit Administration. The act of 1933 and supplemental legislation provide for bringing together in one administrative unit the Federal agencies extending financial aid to farmers through the medium of short- and long-term loans.

The Division of Cooperative Marketing established in the Department of Agriculture under the Cooperative Marketing Act of 1926 was transferred to the Federal Farm Board in 1929. In 1933 it was transferred to the Farm Credit Administration where it successively was a subunit in the Cooperative Division, which also had supervisory responsibility for the banks for cooperatives, and in the Division of Research. Early in 1939, a separate division known as the Cooperative Research and Service Division was set up for the research, service, and educational work for cooperatives.

The Farm Credit Administration helps the farmer solve his credit problems by assisting him to create agencies through which he can tap the money reservoirs of the country. Thus he is able to obtain credit for acquiring farm property, for producing crops and live-

stock, and for the intelligent marketing of his products.

On June 30, 1953, there were 1,145 operating farmer-owned national farm loan associations making loans on farm property, 499 active production credit associations lending for production purposes, 13 banks for cooperatives extending credit to farmers' marketing and purchasing associations, and 108 federally chartered active rural credit unions providing small short-term loans for their members.

In December 1953, the Farm Credit Administration, which had been a part of the United States Department of Agriculture since June 24, 1939, again became an independent agency. The work of the former Cooperative Research and Service Division, now reorganized as the Farmer Cooperative Service, was not to be continued through the Farm Credit Administration after Congress made this credit agency independent. Because of the nature of its work, the Farmer Cooperative Service naturally fitted into the pattern of the work of the Federal-States Relations group which brings together in the United States Department of Agriculture those agencies carrying on research and educational activities largely in cooperation with land-grant colleges and other State agencies.

Present Trends in Farmer Cooperation

Among the trends in farmer cooperatives that are readily discernible are those indicating a shift from the small to the large, from the simple to the complex, from the country shipping point to the city market.

The active associations at the beginning of this century were mostly independent local enterprises. Even as late as 1920, cooperative membership was largely in these small units which were re-

sponsible for the greater part of the total cooperative business. Today there are 177 federations, with 102 of these engaged primarily in marketing operations, 69 whose major activity is purchasing supplies for member locals, and 6 whose affiliated locals are performing services related to marketing and purchasing activities. There are 175 large-scale organizations operating on a strictly centralized basis, and 83 other large-scale associations which combine federated and centralized features. In addition, there are 254 bargaining associations, 4 of which are federated organizations. A large part of present-day cooperative business is transacted in the larger cities and terminal markets.

Whereas formerly producers frequently selected one of their own number to manage their local shipping association, now highly skilled technical men are employed to direct the enterprise.

There have been some shifts during the last forty years in the relative amount of farmer cooperation in different parts of the United States. The West North Central area has lost in relative importance. The Western area, including the Mountain and Pacific States, is doing about the same percentage of the total cooperative business as in 1913, whereas the East North Central, the Atlantic Coast, and the Southern areas have increased their cooperative activity.

There have been marked shifts in the commodity groups. Increases in the cooperative marketing of livestock are outstanding.

The most significant of the trends is the steady increase in the importance of supply purchasing associations. Forty years ago purchasing constituted less than 2 percent of the total cooperative business. It now represents one-fifth of the total.

Farmers' cooperatives have been coming and going for more than a hundred years. Existing records contain the names and addresses of 30,000 market-

ing and purchasing associations which have been or are active. Ten or fifteen thousand other associations have played their parts—minor or important—and disappeared without leaving even their names for the record.

There are now listed with the Farmer Cooperative Service some 10,166 marketing, purchasing, and related service cooperatives in the United States. Almost 7.4 million members are affiliated with these associations. As many farmers, however, are members of more than one association, there is considerable duplication in this membership figure. Most recent figures show a gross dollar volume amounting to \$12.1 billion. After eliminating the duplication resulting from business done between associations, this represents a net volume of \$9.4 billion.

Recent surveys of farmers' cooperatives indicate increasing diversification in their operations. Many associations which were organized to market one commodity now often market more than one product, handle one or more farm supplies, and also perform various services related to marketing or purchasing activities, such as trucking or storage.

In addition to the marketing and purchasing associations, there have

Estimated marketing business of farmers' cooperatives by specified commodity groups, 1951-52¹

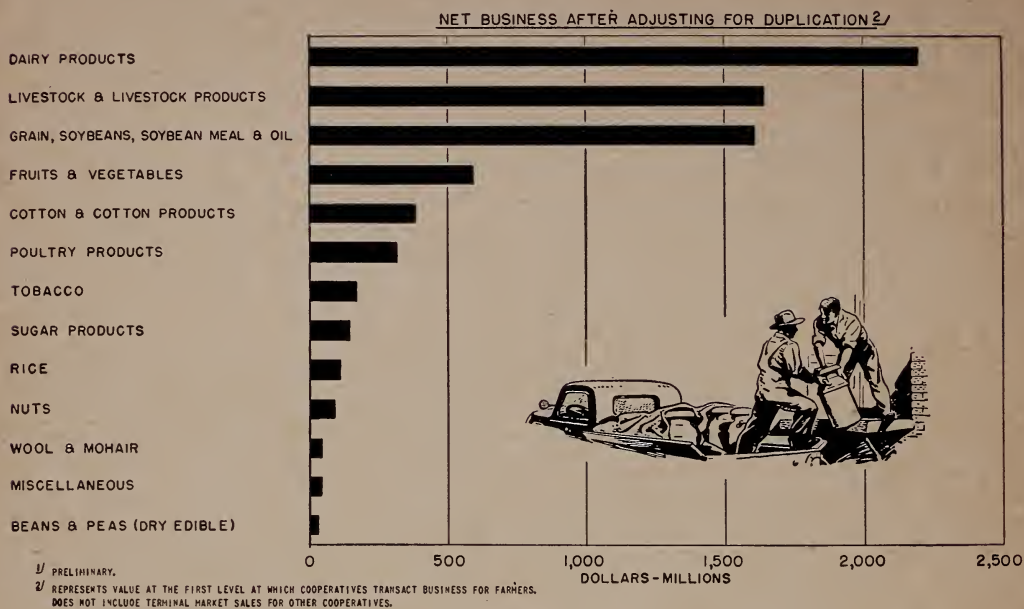


FIGURE 6.—Dairy products, grain (including soybean products), and livestock represent almost three-fourths of the total net value of farm products marketed by cooperatives.

Estimated value of major supplies purchased for patrons by farmers' cooperatives, 1951-52¹

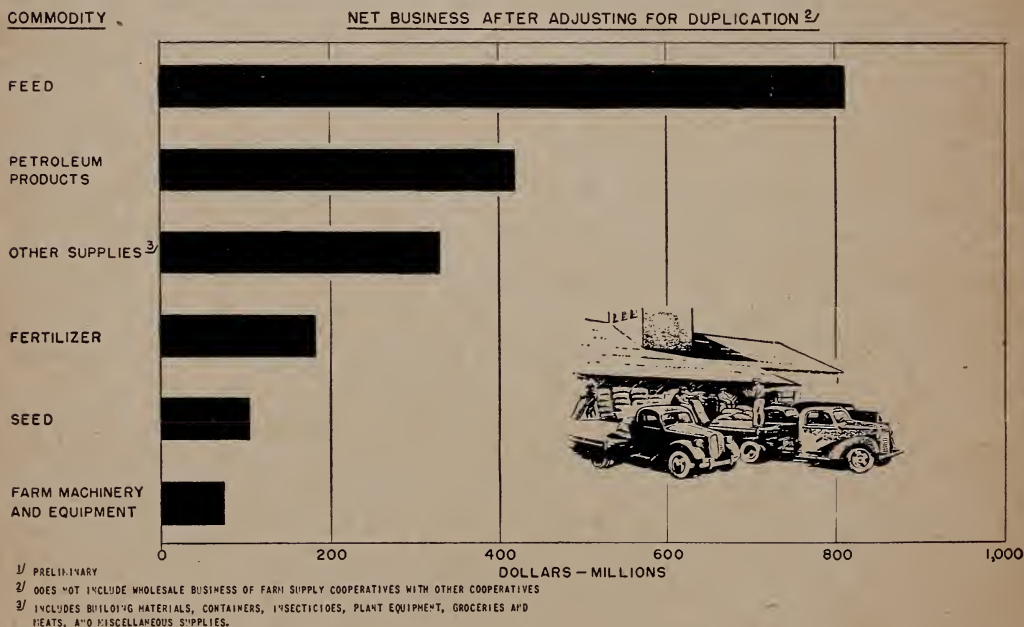


FIGURE 7.—Feed and petroleum products constitute more than three-fifths of the total net value of supplies purchased by patrons of farmers' cooperatives.

been many other organizations—informal and formal—set up by farmers as aids for accomplishing those things which can be done better jointly than individually. Farmers have organized for solving production problems; for obtaining credit and for financing their business enterprises; for providing themselves with insurance—fire, life, automobile, windstorm; for telephone service and electric current; and for transporting their own products to market and bringing back to their farms the feeds, seeds, fertilizer, and petroleum products necessary for continuing production.

They have also set up auxiliary associations for servicing their main enterprises in such matters as accounting and auditing, furnishing management, supplying information, conducting educational programs, providing testing service, developing advertising campaigns; collecting and disseminating market news; operating markets, and so forth.

Complete statistical data for all kinds of farmers' cooperatives have not yet been compiled. In the accompanying table, however, is presented such information as is available.

Types of farmers' cooperatives: Number and membership

Type	Year or date of data	Associations	Estimated members or participants
Production:			
Mutual irrigation companies ¹	1950	9, 374	148, 496
Dairy herd improvement associations ²	Jan. 1, 1953	2, 151	40, 983
Dairy-cattle artificial breeding associations ²	Jan. 1, 1953	1, 623	571, 921
Grazing associations ³	June 30, 1951	30	1, 311
Indian enterprises ⁴	Dec. 31, 1950	⁵ 219	12, 520
Marketing and purchasing:			
Marketing ⁶	1951-52	⁷ 6, 582	4, 228, 556
Purchasing ⁶	1951-52	⁸ 3, 323	3, 032, 541
Miscellaneous services ^{6 9}	1951-52	¹⁰ 261	102, 032
Services:			
National farm loan associations ¹¹	June 30, 1953	1, 145	315, 750
Production credit associations ¹¹	June 30, 1953	499	479, 250
Banks for cooperatives ¹¹	June 30, 1953	13	¹² 3, 100, 000
Rural federal credit unions ¹³	June 30, 1953	108	24, 103
Farmers' mutual fire insurance companies ¹⁴	1952	1, 800	3, 500, 000
Mutual telephone companies ¹⁵	1937	32, 879	669, 344
Rural electric cooperatives ¹⁶	June 30, 1953	908	3, 753, 372
Rural Health cooperatives ¹⁷	1950	51	¹⁸ 18, 000

¹ Seventeenth Census of the United States, 1950. Estimated membership from Sixteenth Census of the United States, 1940.

² Bureau of Dairy Industry, Department of Agriculture.

³ Grazing Service, Department of Interior.

⁴ Office of Indian Affairs, Department of Interior.

⁵ There are 295 other Indian corporate and tribal enterprises.

⁶ Farmer Cooperative Service, Department of Agriculture.

⁷ When associations marketing farm products but principally engaged in providing some other services are included, the total is 7,303.

⁸ When associations purchasing farm supplies but principally engaged in providing some other services are included, the total is 7,418.

⁹ Includes general trucking, storage, grinding, locker plants and miscellaneous.

¹⁰ When associations providing miscellaneous services but principally engaged in marketing or purchasing are included, the total is 4,127.

¹¹ Farm Credit Administration.

¹² Estimated members of associations borrowing from banks for cooperatives.

¹³ Bureau of Federal Credit Unions, Department of Health, Education, and Welfare.

¹⁴ Farmer Cooperative Service, Department of Agriculture.

¹⁵ Census of Electrical Industries, 1937, Bureau of the Census. Number of associations includes 2,067 companies with switchboards and 30,812 without switchboards. Number of participants estimated from number of telephones, assuming 1 patron per telephone.

¹⁶ Rural Electrification Administration, Department of Agriculture.

¹⁷ Public Health Service, Department of Health, Education, and Welfare.

¹⁸ Membership reports for only 27 associations were available.

Some Questions on Your Farmers' Cooperatives

1. How many cooperatives are operating in your county? List the name of each and the year in which it was organized.
2. Which of these associations were sponsored by a national farm organization such as the Grange, Farm Bureau, or Farmers' Union?
3. What was the principal reason for the organization of the co-ops with which you are familiar?
4. What products are marketed by these associations? What supplies do they purchase for their members?
5. If any cooperatives have ceased operation in your locality in recent years, what was the reason for their going out of business?
6. What direct benefits accrue to the farmers in your county through the operation of the co-ops of which they are members? How are nonmembers benefited by the presence of these associations?
7. To what extent have cooperatives in your county followed the trend toward the combining of small co-ops into large federations?

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"You and Your Co-op" Series

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